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THE HOG SITUATION 3 330

Summary

Some seasonal reduction in hog marketings is expected during the next few months, according to the Bureau of Agricultural Economics. But in view of the probable large increase in the 1939 spring pig crop, the seasonal increase in marketings from the late summer through the fall months probably will be relatively large. Supplies of hogs for slaughter probably will continue larger than a year earlier during the remainder of the 1938-39 marketing year, which ends September 30, and also in the first half of the 1939-40 marketing year.

Consumer demand for hog products may improve moderately or at least hold near present levels during the remainder of 1939.

The livestock and feed situation for 1939-40 probably will be somewhat different from that of 1938-39. Although it is too early to give any indication of the size of this year's corn crop, it appears probable that the production of oats, barley and hay will be smaller in 1939 than in 1938. If the corn crop is no larger than that of last year, the total supply of feed for 1939-40 will be no larger and may be smaller than the 1938-39 feed supply. The number of livestock on farms for feeding in 1939-40, however, is expected to be considerably larger than in 1938-39. The ratio of hog prices to corn prices, therefore, may not be so favorable for expanding hog production as it has been in the past year and a half.

Prices of hogs declined sharply in late May and early June, largely because of the increase in hog marketings. The average price of butcher hogs at Chicago for the week ended June 10 was about \$6.40 compared with \$6.90 in early May. Since late February, prices of butcher hogs have declined about \$1.65, and in early June they were at the lowest level since late 1934.

REVIEW OF RECENT DEVELOPMENTS

BACKGROUND:- The upward trend in hog production, which began with the increase in the 1938 spring pig crop, has been reflected in increased marketings of hogs since the last summer. Hog prices declined fairly sharply in the late summer and fall of 1938 but rose moderately in January and February of this year. Since early March the trend in prices has been downward, and thus far in the 1938-39 hog marketing year, which began October 1, 1938, the average price of hogs has been about \$1.00 lower than in the corresponding months of 1938. Inspected hog slaughter has been larger than a year earlier in every month thus far in the current marketing year, except January.

Hog price decline continues

Prices of hogs declined fairly sharply in late May and early June, continuing the downward trend that began in early March. The average price of butcher hogs 1/ at Chicago for the week ended June 10 was about \$6.40 compared with about \$6.90 a month earlier and \$8.80 a year earlier. Since late February, prices of hogs have declined about \$1.65, and in early June they were at the lowest level since late 1934.

Hog marketings increase in May

The weakness in hog prices in recent weeks was chiefly a reflection of the increase in hog marketings. Inspected hog slaughter in May, totaling 3,416,000 head, was nearly 500,000 head larger than in April and more than 800,000 head larger than in May last year. Marketings of packing sows as well as those of butcher hogs have increased seasonally in recent weeks. The increase in the proportion of packing sows in the total market supply has been accompanied by a greater decline in prices of heavy hogs and sows than in prices of light- and medium-weight butcher hogs.

Hog-corn price ratio declines

The drop in hog prices and the rise in corn prices in recent weeks has resulted in a decrease in the hog-corn price ratio. Based on Chicago

1/ Average price of barrows and gilts purchased by packers and shippers.

prices for corn and hogs, this ratio was about 12.4 in early June compared with about 13.3 in early May and from 14 to 16 during winter. Although the ratio is still above average, it is now lower than at any time since September 1937.

Pork stocks decrease in May: lard stocks increase

Storage stocks of pork on June 1 were slightly smaller than on May 1, but they were considerably larger than on June 1 last year. The decrease in storage holdings of pork during May this year was much less than that occurring in May last year. Stocks of pork usually decline during the summer months.

Storage holdings of lard on June 1 were about 7 percent larger than on May 1, and they were about 13 percent greater than on June 1 last year. The increase over a year earlier probably reflects the greater volume of lard produced this year than last.

Storage holdings of pork and lard on the first of the month, specified months, average 1933-37, 1937-38 and 1938-39

Month	5-year average		1937-38		1938-39	
	1933-37					
	Pork	Lard	Pork	Lard	Pork	Lard
	Million	Million	Million	Million	Million	Million
	pounds	pounds	pounds	pounds	pounds	pounds
Oct.	415	108	283	73	277	90
Dec.	425	80	307	34	299	74
Mar.	647	125	583	117	542	125
Apr.	620	127	544	121	523	129
May	613	129	501	122	527	129
June	584	135	451	124	<u>1/</u> 520	<u>1/</u> 139

1/ Preliminary.

Pork and lard exports continue larger than a year earlier

Exports of pork in April of 8.1 million pounds were about 2.8 million pounds smaller than in March, but they were about 1 million pounds larger than in April last year. Most of the decrease in April compared with the preceding month was in exports of cured pork, largely hams and shoulders.

Lard exports in April amounted to about 17.5 million pounds, 4.6 million pounds less than in March, but about 2 million pounds more than in April 1938. Practically all of the decrease from March to April was in the shipments to Great Britain.

Imports of pork totaled 5.2 million pounds in April, slightly larger than in March or in April last year.

OUTLOOK

The most important factors in the outlook for hogs as indicated in the May issue of the Hog Situation were as follows:

(1) The 1939 spring pig crop probably will be considerably larger than that of 1938. Relatively heavy losses of spring pigs were reported in some areas of the Corn Belt, and it seems probable that the average number of pigs saved per litter this spring was not so great as the record high average of last spring. Any reduction in the average number of pigs saved per litter, however, probably was much more than offset by the increase in number of sows farrowed. (The official estimate of the 1939 spring pig crop - number of sows farrowed and number of pigs saved - will be released in late June).

(2) With feed supplies generally abundant, it may be that the 1939 fall pig crop also will be larger than that of 1938. Larger pig crops this year will mean that supplies of hogs for slaughter in the 1939-40 marketing year, which begins next October, will be materially larger than in the present hog marketing year.

(3) Marketings of hogs during the remainder of the current hog marketing year are expected to continue larger than a year earlier. This increase will reflect partly the 18 percent increase in the 1939 fall pig crop over that of 1938, and it also will be due in part to increased marketing of packing sows. Sows marketed in the summer are mostly those which farrowed the previous spring, and increased marketings of sows this summer will be due to the larger number of sows farrowed this spring.

(4) Consumer demand for hog products for the entire year 1939 probably will be stronger than in 1938. But consumer demand improved somewhat in the last half of 1938 and in early 1939. Only moderate improvement in this demand from present levels seems likely during the remainder of 1939.

Seasonal changes in hog marketings

Some seasonal reduction in hog marketings is expected during the next 2 or 3 months. The extent of this decrease will depend partly upon crop prospects this summer and partly upon when the market movement of spring pigs gets underway. If drought conditions should become severe in the Corn Belt a rather marked liquidation of sows and pigs might occur in the late summer. On the other hand, if crop conditions are fairly favorable, a large number of sows will be retained for fall farrow.

Last summer marketings of spring pigs began in large volume in August, about a month earlier than usual. Pasture conditions last summer were very favorable and feed supplies were abundant; hogs reached market weights rapidly. This summer supplies of feeds also are abundant, but pasture conditions are much below normal. Losses of spring pigs that were farrowed

early were reported to be large. Consequently the proportion of the spring pig crop marketed before October 1 this year probably will be no larger and may be smaller than the proportion marketed before October 1 last year, assuming average crop conditions during the summer. The number of spring pigs marketed before October 1, however, is expected to be larger than a year earlier because of the larger spring pig crop this year than last.

In view of the probable larger spring pig crop in 1939 than in 1938, the seasonal increase in hog marketings after July or August will be large, probably larger than that of the late summer and fall of last year.

Livestock and feed situation in 1939-40 expected
to be different from 1938-39

Although it is as yet too early for any indication of the size of the corn crop this year, production of oats and barley, on basis of June 1 conditions, is expected to be smaller this year than last. The production of hay in 1939 also is likely to be smaller than in 1938, and the wheat crop this year will be much smaller than in 1938. Drought during the spring months has resulted in rather unfavorable pasture and range conditions, thereby increasing the livestock feed requirements for feed grains and other feeds. Even with an average corn crop this year the total supply of feed for 1939-40 (including carry-over) probably will be no larger and may be smaller than the 1938-39 feed supply.

On the other hand, the number of livestock on farms for feeding in 1939-40 probably will be considerably larger than the number in 1938-39. It is expected, therefore, that the ratio of livestock prices to feed prices in 1939-40 will not be so favorable for livestock producers as it has been in the past 2 years. After having been much above average for about a year and a half, the hog-corn price ratio has declined materially during the past 2 months. This ratio in 1939-40 probably will not be such as to encourage a marked expansion in the number of pigs produced, as it did from late 1937 to the spring of this year.

Prices of hogs and hog products, specified periods.

Item	Unit	May 1938	Apr. 1939	May 1939	Oct. - Sept.		Oct.-May		
					Average				
					1928-29 to 1932-33	1936- 37	1937- 38	1937- 38	1938- 39
		:Dollars:							
Average price:	per 100:								
Seven markets.....	pounds	7.98	6.73	6.48	<u>1/</u>	10.28	8.33	8.36	7.21
Chicago.....	do	8.20	6.92	6.67	6.99	10.49	8.47	8.55	7.36
U.S. average price re-									
ceived by farmers.....	do	7.35	6.57	6.39	6.48	9.66	8.07	8.05	6.96
Prices of hog products,									
Chicago:									
Loins, 8-10 lb.....	do	20.22	17.10	16.60	17.07	22.28	19.68	18.61	16.47
Hams, smoked, reg.									
No.1, 10-12 lb.....	do	23.00	21.75	21.30	20.31	24.65	23.56	23.61	21.71
Bacon, smoked, No.1,									
dry cured, 6-8 lb.,	do	24.62	20.62	20.20	23.71	28.58	26.99	27.68	21.70
Lard, refined,									
H.W. tubs.....	do	9.25	7.28	7.50	9.68	13.13	9.90	10.23	7.80
Average price of No. 3	Cents								
Yellow corn, Chicago.	per lb.	58	49	51	62	115	57	58	49
Hog-corn price ratio: <u>2/</u>									
Chicago.....	Bushel	14.2	14.2	13.0	11.6	9.2	14.8	14.7	15.2
North Central States.	do	15.8	16.7	15.2	12.9	9.4	17.6	17.4	17.8
Proportion of packing									
sows in total packer									
and shipper purchases;									
seven markets <u>3/</u>	Percent	6.0	5.0	8.0	<u>1/</u>	15.0	13.0	6.0	6.0
Average weight at									
seven markets.....	Pound	247	248	248	<u>1/</u>	231	246	239	240

1/ Not available.

2/ Number of bushels of corn equivalent in value to 100 pounds of live hogs.

3/ Monthly figures computed from weekly averages.

Supplies of hogs and hog products, specified periods

Item	Unit	Oct.-Sept.					Oct.-Apr.		
		Average:							
		Apr. 1938	Mar. 1939	Apr. 1939	1928-29 to 1936-37	1937-38	1937-38	1938-39	
					1932-33				
Hog slaughter under Federal inspection:	Thou-								
Number slaughtered ^{1/}	sands	2,462	3,229	2,931	46,363	34,142	34,580	22,070	24,664
Live weight:									
Average	Pound	230	230	232	231	221	234	229	229
Total	Mil.lb.	565	741	680	10,723	7,538	8,089	5,047	5,647
Dressed weight:									
Average	Pound	173	175	175	175	164	175	172	172
Total	Mil.lb.	426	564	513	8,069	5,586	6,046	3,782	4,233
Yield of lard per 100 pounds live weight of hogs	Pound	13.3	13.4	13.5	15.2	10.9	12.4	12.2	13.2
Production of lard	Mil.lb.	75	99	92	1,630	833	1,002	618	744
Apparent consumption:									
Pork, including lard ^{2/}	do.	451	550	490	7,171	5,601	5,795	3,374	3,763
Lard	do.	59	73	74	961	756	777	441	556
Exports: ^{3/}									
Pork	do.	7	11	8	211	59	89	49	62
Lard	do.	16	22	18	657	107	208	128	149
Imports of pork ^{3/}	do.	5	5	5	6	72	57	35	30
Proportion of sows in inspected slaughter ^{4/}	Percent	47.0	45.9	47.3	51.2	51.1	49.9	47.2	44.9

^{1/} Bureau of Animal Industry.

^{2/} Represents apparent disappearance of federally inspected pork plus unrendered hog fats.

^{3/} United States Department of Commerce. Pork includes bacon, hams and shoulders, and fresh canned, and pickled pork. Lard includes neutral lard.

^{4/} Includes gilts.

